Supreme Court, U.S.
FILED
AUG - 5 2016
OFFICE OF THE CLERK

No. 15-777

IN THE
Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE BOSTON PATENT LAW ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF RESPONDENT

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August 5, 2016

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INTERESTS OF AMICUS CURIAE

The Boston Patent Law Association (BPLA) is a professional association of approximately 1000 attorneys and other professionals whose interests and practices lie in the area of intellectual property. The BPLA's members include both in-house and outside counsel representing a diverse array of clients. The BPLA therefore has an institutional interest in seeing intellectual property law develop in a clear, predictable, and intellectually coherent way that promotes innovation and protects innovators.[1]

SUMMARY OF ARGUMENT

Design patents are not utility patents. They protect different kinds of innovation, are subject to different infringement tests, and relate differently to a company's brand identity. Because design patents often protect what is at the core of a company's brand, companies are reluctant to sell or license their design patents. This explains why there is no market for design patents comparable to that for utility patents, which in turn explains why Petitioners' and their amici's threatened explosion of NPE design patent assertion has not materialized in the 130 years since Congress decreed that profit

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[1] The BPLA has no financial interest in any party or the outcome of this case. This brief was neither authored nor paid for, in whole or in part, by any party. Petitioners have consented to the filing of this brief through a blanket consent letter filed with the Clerk's Office. Respondent provided its consent via letter dated July 26, 2016.

disgorgement was the appropriate remedy for infringement of design patents—and why such an explosion is highly unlikely to materialize in the future.

It is not for this Court to substitute its judgment for that of Congress regarding how the appropriate balance of the risks and rewards of innovation and infringement should be struck. But even if it were, Congress got it right. Petitioners and their amici complain that an award of total profits overcompensates the design patent owner for the infringement, but § 289 reflects Congress's determination that designs sell products and, therefore, that the infringer's profits are the right measure of the patent owner's damages. Given the extensive evidence that Petitioners intentionally copied Respondent's designs, one might reasonably infer they shared Congress's intuition about designs driving sales.

Section 289 also reflects Congress's determination of what effective deterrence of design patent infringement requires. That determination is supported by the special characteristics of design patents: they are very easy to infringe purposefully (by copying) but nearly impossible to infringe innocently. At the same time, they are very easy to avoid infringing—it just requires refraining from copying. Under such circumstances, disgorgement of profits makes sense as an appropriate deterrent.

Petitioners seek to replace the bright-line rule Congress put in place over a century ago—a rule that has resulted in no ill effects or dire consequences—

with the very measure Congress rejected (apportionment) after determining that it made proving entitlement to compensation too difficult, thereby leaving design patent owners without an effective remedy. Requiring design patent owners to prove how much the infringed design contributed to the value of an infringing article not only risks introducing a good deal of uncertainty and increased litigation costs into a system that is not broken; it also risks eviscerating the value of design patents by making copying designs an efficient business strategy. The problem of efficient infringement already plagues utility patents. There is no sound policy reason for extending it to design patents, which are both more vulnerable to infringement and also easier to avoid infringing.

ARGUMENT

I. DESIGN PATENTS DIFFER FROM UTILITY PATENTS; THE DIFFERENCES EXPLAIN WHY AN EXPLOSION OF NPE DESIGN PATENT ASSERTION HAS NOT HAPPENED AND IS NOT LIKELY TO HAPPEN.

That design patents are called "patents" is an accident of history. In other parts of the world, design patents are called "industrial designs" or "registered designs," not "patents." *See* WORLD INTELLECTUAL PROPERTY OFFICE, *Industrial Designs: How are industrial designs protected?*, http://www.wipo.int/designs/en/#design. Whatever they are called, design protection extends only to the ornamental and visual characteristics of an article of manufacture; it does not extend to its utilitarian or functional aspects. *Id.* While utility patents protect the way an article is used and works, design patents

protect the way it looks. MANUAL OF PATENT EXAMINING PROCEDURE (MPEP), (9th ed. Rev. 07.2015, Nov. 2015) § 1502.01, http://www.uspto.gov/web/offices/pac/mpep/s1502.html; *see also Mazer v. Stein*, 347 U.S. 201, 218 (1954) ("The dichotomy of protection for the aesthetic is not beauty and utility but art for the copyright and the invention of original and ornamental design for design patents.").[2]

Because they protect different kinds of innovation, design and utility patents are subject to different infringement tests. Design patents are infringed if an ordinary purchaser would determine that two designs are substantially the same. *Gorham Co.* v *White*, 81 U.S. (14 Wall.) 511, 524-525 (1872); *Egyptian Goddess, Inc.* v. *Swisa, Inc.*, 543 F.3d 665, 680-683 (Fed. Cir. 2008) (en banc). Utility patent infringement is more complicated; it requires a court to construe the patent's claims and to determine whether the accused product meets every claim limitation. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 384-85 (1996).

Design and utility patents also differ in another important respect: they relate very differently to a company's brand identity. Because design patents protect how products look, they often protect what is at the core of a company's brand—how a company's

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[2] Because design patents cover the ornamental, non-functional elements of an article of manufacture, they are easy to design around. For example, Samsung could easily (and does) make and sell smartphones that look different from Apple's patented designs without having to reinvent the working elements of the device (*e.g.*, the circuitry, the semiconductors, LEDs, etc.).

products are identified and differentiated from those of its competitors (how consumers know that a product is an Apple product, for example) and what its brand means or stands for—in a way that utility patents do not. *See, e.g.*, David Orozco & James Conley, *Shape of Things to Come*, WALL ST. J., May 12, 2008, at R6.

For the same reason—that they are at the core of brand identity—design patents are rarely licensed or sold, which means that there is no market for design patents comparable to that for utility patents. Without a meaningful market for design patents, the threat of an explosion of design patent assertion by non-practicing entities (NPEs), which typically acquire patents from operating companies, is unlikely to materialize.

A. Design Patent Protection Was Born Of A Recognition That Designs Are Valuable And Require Considerable Investment To Develop But Can Be Easily Copied And Used To Compete Unfairly.

Design and utility patents in the United States have distinct origins. Utility patents trace their origin to the Constitution, which grants Congress the power "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. CONST., art. I, §. 8, cl. 8. Design protection traces its origin to a different source. Indeed, that design protection falls under the aegis of the Patent Office and uses "patent" nomenclature may be closer to a historical accident than an intentional design (so to speak). In 1841, a

number of U.S. manufacturers and mechanics sent a petition to Congress advocating for protection for their designs and patterns, which required considerable investment to develop but were very easy for competitors to copy, thereby allowing those competitors to undersell them. They explained:

> [T]he frequent ornamental and other improvements which are and can be made in articles of manufacture have rendered necessary a registration of new designs and patterns; that ornamental and useful changes can, in many cases, be made in the design and form of articles of manufacture, for which no patent can be obtained; that the said new designs and patterns often require a considerable expenditure of time and money, and can be made use of by any person so disposed, in such a manner as to undersell the inventor or proprietor.

Jason J. Du Mont, *A Non-Obvious Design: Reexamining the Origins of the Design Patent Standard*, 45 GONZAGA L. REV. 531, 540 (2010) (quoting MANUFACTURERS' PETITION, S. Doc. No. 154 (1841)).

In 1842, the Commissioner for Patents echoed the manufacturers' petition in his annual report to Congress but suggested that design protection should fall under his patent domain. *Id.* at 541 (citing Henry L. Ellsworth, REPORT FROM THE COMMISSIONER OF PATENTS, H.R. Doc. No. 74, at 2 (1842)). Congress adopted the Commissioner's

suggestion later that year. *Id.*; *see also* Act of Aug. 29, 1842, ch. 263, § 3, 5 Stat. 543, 543-544.

The new law protected anyone who "by his, her, or their own industry, genius, efforts, and expense . . . invented or produced" "any new and original design for a manufacture or any new original impression or ornament to be placed on any article of manufacture, . or any new and original shape or configuration of any article of manufacture," and extended to any such design that was "not known or used by others before his, her, or their invention or production thereof, and prior to the time of his, her, or their application for a patent." 5 Stat. 543-44.

The law reflected Congress's recognition that new designs are entitled to protection not only because they are the fruit of "industry, genius, efforts, and expense," *id.*, but also because they are vulnerable to being copied (they "can be made use of by any person so disposed") and to being used to compete unfairly with the designs' creators ("in such a manner as to undersell the inventor or proprietor"). Du Mont at 540 (quoting MANUFACTURERS' PETITION).

B. Design Patents Protect The Way An Article Of Manufacture Looks; As Such They Go To The Core Of A Company's Brand Identity.

The special characteristics of designs that entitled them to protection—the ease with which they can be copied and used to compete unfairly—inform the scope and purpose of that protection. Design patents protect the ornamental and visual characteristics of an article of manufacture—its look. They are permitted to claim only a single three-

dimensional design, which must be delineated by drawings showing multiple perspectives of the design. MPEP § 1503.02,http://www.uspto.gov/web/offices/pac/mpep/s1503.html#d0e151275 (citing 37 C.F.R. § 1.152) ("Every design patent application must include either a drawing or a photograph of the claimed design. As the drawing or photograph constitutes the entire visual disclosure of the claim, it is of utmost importance that the drawing or photograph be clear and complete, and that nothing regarding the design sought to be patented is left to conjecture.").

Because they protect the way an article of manufacture looks, design patents are closely connected to a company's brand identity. As Respondent's amici explain:

> Strong design can "enhanc[e] emotional contact with ... customers" and "create positive overall customer impressions that depict the multifaceted personality of the company or brand." Consumers come to associate particular designs with specific attributes of companies and products. Design patent infringement therefore steals much more than the design itself—it robs innovative companies of the entire positive mental model that consumers have created for their brand.

Amici Curiae 111 Distinguished Industrial Professionals and Educators in Support of Respondent Br. at 23 (internal citations omitted).

C. Because They Protect Brand Identity, Design Patents Are Very Rarely Licensed Or Sold; Without A Significant Design Patent Market, There Is No Threat Of An NPE Explosion.

Given the close connection between design patents and brand identity, it should come as no surprise that companies are typically not willing to license, let alone sell, their design patents. This explains why, even during the various periods of intense patent litigation activity over the past 130 years,[3] there has never been an explosion of design patent assertion despite the uninterrupted availability of profit disgorgement as a remedy throughout that long age. And, in the absence of any market for design patents, the suggestion that such an explosion is likely to occur in the future, let alone imminently, as Petitioners and their amici contend, is difficult to fathom. Pet. Br. 50-52; Computer & Communications Industry Assoc. Br. 13-14; Public Knowledge Br. 16.

Justice Kennedy noted a decade ago that "[a]n industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees." *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396

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[3] Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 YALE L.J. 848, 851 (2016) ("Despite the attention devoted to the modern surge in patent filings, this development is not as unprecedented as recent coverage presumes. In fact, the patent system of the mid-to-late nineteenth century was in some ways more litigious than that of the early twenty-first.").

(2006) (Kennedy, J. concurring). There is some debate in the scholarly literature about whether the development to which Justice Kennedy alluded—the rise of entities seeking to enforce patents they do not practice (known as NPEs or PAEs, patent assertion entities, when they are not called more pejorative terms like "patent trolls")—is actually new,[4] and what its effects may be on the health and future of the American innovation economy.

Whatever one's views on whether patent assertion entities are good or bad for the economy,[5] it is uncontroverted that with the exception of universities and research centers, which typically acquire their patents by developing the underlying technologies, the great majority of PAEs acquire

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[4] *See, e.g.*, Beauchamp, 125 YALE L.J. at 942 ("Balancing out the reform-minded commentators is another set of historically informed scholars, for whom the commotions of the past provide reason to be sanguine about the present. In this view, 'historical amnesia' has contributed to an unjustified sense that the travails of the current patent system are unprecedented and frightening. The long history of patent struggles and even their association with technological progress should counsel us against legislative or judicial overreaction. This is especially so given that the level of litigation does not seem unduly high by past standards.").

[5] The BPLA's members represent both plaintiffs and defendants in intellectual property litigation throughout the country. Those clients include both non-practicing entities and defendants accused of infringing patents owned by such entities. To the extent Congress or this Court are concerned about abusive patent litigation, the focus of the concern should be on the abusive practices of litigants regardless of their "practicing" or "non-practicing" status.

their patents by buying them—usually from operating companies. *See, e.g.*, Linda Biel, *A Viewpoint On Patent Transactions*, at 2-3 (Nov. 6, 2015) http://www.ucl.ac.uk/laws/patents-in-telecoms-2015/docs/02_07_1200_biel-slides.pdf (analyzing the sale of patents from operating companies to PAEs). Indeed, operating companies routinely "monetize" their patents (which they also call "patent assets" or "IP assets") by selling or licensing them to PAEs who either sell them to other companies, or enforce them through licensing negotiations and litigation to generate revenue.

Invariably, the patents at issue in these monetization efforts are utility patents. There is simply no comparable market for design patents. Intellectual Ventures—widely considered one of the largest NPEs in history—provides a telling example. Since 2000, it has "acquired more than 70,000 IP assets," of which "approximately 40,000 . . are in active monetization programs." Intellectual Ventures, *Patent Finder*, http://patents.intven.com/finder (last accessed Aug. 4, 2016). Yet, of its 19,890 U.S. patents, only 50—fifty!—are design patents, which strongly suggests that the barriers to monetizing design patents are much greater than they are for utility patents. *See id.*, ivpatents.csv file available under "Download List" (U.S. patents listed at rows 9536 through 29425 of ivpatents.csv; U.S. design patents listed at rows 28907 through 28956 of ivpatents.csv) (last accessed Aug. 4, 2016).

II. The Differences Between Design And Utility Patents Support Congress's Determination That Disgorgement Of Profits Is The Appropriate Remedy For Design Patent Infringement.

It is not for this Court to substitute its judgment for that of Congress regarding whether Section 289 strikes the right balance between the interests of innovators and those of infringers, or whether it weights the respective risks and rewards of innovation and copying appropriately.

Even so, Congress got it right. The special characteristics of design patents—their close relationship to brand identity, coupled with their vulnerability to being copied and being used to compete unfairly—support Congress's determination that the proper remedy for design patent infringement is disgorgement of the infringer's profits. Such a remedy both compensates design innovators for the unfair use of their designs, and deters would-be infringers from copying and trading off the innovators' brand identity. It also tracks Congress's dual recognition that designs drive sales and that the difficulty of proving the portion of the value attributable to the design would prevent any meaningful recovery.

A. Section 289 Reflects Congress's Sound Evaluation That Disgorgement Of Infringer's Profits Is Both The Proper Measure Of Damages And The Appropriate Deterrent.

Section 289 reflects Congress's determination that "it is just that the entire profit should be

recoverable and by the patentee, for it is the design that sells the article, and so that makes it possible to realize any profit at all." 18 Cong. Rec. 834 (1887). Indeed, Section 289's total profits remedy aligns with the long-settled test for design patent infringement. As this Court explained in *Gorham Co. v. White*, "giving certain new and original appearances to a manufactured article may enhance its salable value [and] may enlarge the demand for it." 81 U.S. at 525. Therefore, the Court reasoned, if consumers "are misled [by a copy], and induced [thereby] to purchase what is not the article they supposed it to be," "the patentees are injured, and that advantage of a market which the patent was granted to secure is destroyed." *Id.* at 528. Given the extensive evidence that Petitioners intentionally copied Respondent's designs, one might reasonably infer they shared Congress's intuition that designs drive sales.

Nevertheless, Petitioners and their amici complain that disgorgement of total profits overcompensates the owners of design patents for the infringement of their designs. Pet. Br. 26, 45-46; Public Knowledge Br., 8-9. But compensation is not the only purpose of § 289; its purpose is also to deter. Given that design patent infringement is both easy to do purposefully and nearly impossible to do innocently, disgorgement of total profits provides the appropriate level of deterrence.

To infringe a design patent, one need only copy it; because it covers only ornamental features, no reverse engineering of any underlying technology is required. At the same time, design patents are not susceptible to innocent infringement. Unlike utility

patents, design patents do not protect a product's functional or utilitarian aspects. An innocent infringer may produce a product having the same functionality as the patentee's claimed invention because the invention has a utility that the market desires. The innocent infringer who is not aware of the existing utility patent may have independently come up with an idea for a product that fulfills a need in the market. For that trespass, and assuming the patent is not shown to be invalid, Congress has determined that she must pay the patentee "damages adequate to compensate for the infringement," but not less than a reasonable royalty. 35 U.S.C. § 284.

Design patents are different. Because design patents cannot cover the functional aspects of an article of manufacture, they are not developed to fulfill a need in the market. Rather, they are often developed to differentiate one company's products from the otherwise functionally similar products of its competitors. The countless possibilities at the designer's disposal and the innate creativity of human beings make it highly unlikely that two independent designers will develop the same design.

Given Congress's recognition that designs drive sales and that copying designs is easy and tempting, and makes it possible for the infringer to compete unfairly with the designs' creator, and given also that it is within the would-be infringer's power not to infringe (just by refraining from copying), the disgorgement of profits remedy makes sense. It provides the appropriate measure of compensation and the appropriate kind of deterrence.

B. The Test Petitioners Advocate Will Make Copying Designs An Efficient Business Strategy, Thereby Eviscerating Their Value.

Congress recognized that because profits attributable to design are often "not apportionable," "[i]t is expedient that the infringer's entire profit on the article should be recoverable, as otherwise none of his profit can be recovered." 18 Cong. Rec. 834. It understood that the difficulty of proving the portion of an article's value attributable to its design meant that requiring apportionment risked leaving design patent owners without any remedy. *Id.*

Nevertheless, Petitioners advocate replacing the bright line Congress put in place to compensate design patent owners and deter infringers with the very measure Congress rejected—apportionment. The change Petitioners advocate risks introducing a good deal of uncertainty and increased litigation costs into a system that has not been found to be broken in over 130 years—quite a track record.

It also risks eviscerating the value of design patents by making copying designs an efficient business strategy. Without the potential of total profit disgorgement—a significant negative expected value from infringing—there would be no effective deterrent to copying a competitor's designs, given that doing so is both inexpensive and potentially very lucrative. Instead, copying would become a rational strategy. Would-be infringers are likely to calculate that it makes more sense to infringe and—at worst—pay whatever pro rata share of the value of the infringement the design patent owner is able to prove is properly attributable to the design (if any)

than to expend the resources required to come up with competing designs. The immediate consequence of such a shift in the risks and rewards of innovation and infringement would be the evisceration of the value of design patents. Without effective protection against copying, designs will no longer serve to identify a company's brand or to differentiate its articles from those of its competitors. With that loss comes also the loss of incentives to develop new, distinctive designs, and the thriving economy they support.

The problem of efficient infringement already plagues utility patents. David J. Kappos, *From Efficient Licensing to Efficient Infringement*, NEW YORK L.J., Apr. 4, 2016 ("'Efficient Infringement' is another way to say 'it's okay to violate a constitutionally granted right.' That is no less an abuse of the patent system than those practiced by NPEs."). There is no sound policy reason for extending it to design patents, which are both more vulnerable to infringement and also easier to avoid infringing.

CONCLUSION

For the foregoing reasons, the judgment of the Court of Appeals should be affirmed.

Respectfully submitted,

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August 5, 2016